

Retiring Times

Volume 2 Number 2 Municipal Employees May 2003

Message from Vermont State Treasurer Jeb Spaulding

I am very pleased to be able to introduce myself as the new State Treasurer of Vermont. Several months after taking office, I am still tremendously excited about the many things that we can do for the people of Vermont.

Excellent service to our retirement system members is a top priority for me. In my first meeting with all of the staff of the Treasurer's Office, this was my message: we are here to serve. I know that the Retirement Office has been providing excellent service in the past, and I want to assure you that we will maintain that level of service. Indeed, my hope is to improve our service. That is why I selected Jeff Wilson, former Town Manager in Manchester, VT, as Deputy Treasurer. Jeff is known as a very professional and effective administrator. He is working to be sure we are staffed appropriately and adequately, to upgrade our information technology equipment, and to support the professional development of all staff members. To improve our service, we need to know what

is on your mind. We need to know if there are problems in obtaining services. We also need to know when we do something really well. That feedback from you is important. As part of a policy of open communication with you, I encourage each of you to let us know of both our successes and failures in serving you. Every letter that we receive about our service is important. Please send them to Member Feedback at the Retirement Office. Each letter will not only be read, but will be used to fine-tune our service to our members. Continuous improvement is not just a trite phrase. It will be our way of doing business.

I also want to assure you that the retirement funds will continue to be invested responsibly. We will continue to work with the trustees of your Retirement Board to seek the best possible gain, the least possible risk, and the lowest possible administrative costs. As those funds grow, we will continue to strive to improve the

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Message from Retirement Operations Director Cynthia L. Webster

Retirement could come sooner than you think. Anyone with money in a tax-sheltered savings plan (such as an IRA or Deferred Compensation) can use these funds to purchase years of retirement credit.

Transfers from a tax-sheltered savings plan were taxed until the passage of the Economic Growth and Tax Reconciliation Act of 2001. With the elimination of the penalty for using these funds, individuals suddenly have the means to buy retirement credit.

Purchasing retirement credit will increase your monthly pension payment if you retire before

you have 35 years of service as a municipal or school employee. If you retire when you have 35 or more years of service, then it may not increase your pension payment and you may not wish to purchase any additional retirement credit. (Thirty-five years is an approximate figure – the exact number of years depends upon your group. This article assumes that you are in Group B. Group A members need 43 years of service.) To determine the cost of purchasing one or more years of retirement credit, please contact the Retirement Office at 1-800-642-3191 and ask for Tina Kaweck.

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Treasurer's Message (continued from page 1)

benefits that we offer to you. We will continue to represent you when the Vermont Legislature debates the funding and benefits of your retirement system. In addition, I plan to join other State Treasurers in becoming more proactive in encouraging responsible corporate behavior, as a strategy

to protect the long-term financial interests of our pension funds and members.

Thank you for the faith and trust that you have given to your Retirement Office. My promise to you is that we will always strive to be worthy of it.

Director's Message (continued from page 1)

You can purchase retirement credit for time that you worked for another municipality or school, for employment as a teacher in a public or private school, and for employment with the State of Vermont. If you have at least 15 years of service with retirement credits from your town or school, you can also purchase time in VISTA, Peace Corps, or full-time military service. (You can purchase a maximum of five years of retirement credit for time in the military, VISTA, or the Peace Corps.)

The maximum pension is 60% of your average salary for Group A and B members and 50% for Group C and D members; to get that amount, you need 35 years of retirement credit. (Again, 35 years is for Group B. Group A members need 43

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years and Groups C and D members need only 20 years.) If you retire with less than 35 years of credit, you will receive a pension that is less than the maximum. The pension amount that you receive will be the proportion that equals the number of years that you worked multiplied by 1.7%. Thus, if you retire with 30 years of credit, you will receive a pension that is 51% of your average salary (30 years times 1.7% equals 51%).

For example, say you worked for a town or school for 30 years and your annual salary is \$30,000. Your maximum pension is

60% of that \$30,000, or \$18,000. If you retire now and do not purchase any years of retirement credit, you will receive about \$15,300 a year (30 years times 1.7% equals 51%. Your salary of \$30,000 times this 51% equals \$15,300.) Your pension will be \$2,700 less a year than if you received the maximum pension for your salary. Over the 20 years that the average person spends in retirement, that would amount to a loss of more than \$54,000 dollars. For comparison, the cost of purchasing the five years of retirement credit is about \$30,000 (The exact amount depends upon your age and salary when you purchase the retirement credit. As your age and salary rise, so does the cost of purchasing the credit.).

In addition, your age can also influence your pension payment if you do not have 35 years of retirement credit. (Again, the 35 years is for Group B members. Group A members need 43 years.) For each year that you are under the normal retirement age of 62 (65 for Group A), there will be a 6% decrease in your monthly pension payment. Thus, if you have 32 years of retirement credit, purchasing three years of credit to reach 35 years will increase your pension in two ways. First, it will bring you up to the maximum pension payment – 60% of your average salary (Group A and B members – maximum is 50% for Group C and D members). Second, with 35 or more years of credit, the 6% penalty for each year under the age of 62 (age 65 and 43 years of credit for Group A members) does not apply if you are at least 55 years old.

One more point: you can only purchase additional retirement credit BEFORE you retire. You cannot purchase any retirement credit after you have retired. So please do things in the correct order: first purchase your retirement credit and then give us the official notice of your retirement date.

Health Insurance for Retired Members

The Vermont Municipal Employees' Retirement System (VMERS) plan is a self-funded retirement plan. The contributions are only from the participating employers and employees. There are no state funds or subsidies as in the State Employees' and State Teachers' plans.

Each participating VMERS entity provides some type of health insurance coverage for its active employees. In the Teachers' systems, the active membership is also covered at the local level for health insurance.

If there is a loss in insurance coverage when a person retires, the employer must offer a COBRA policy for a specified length of time. (A COBRA policy is a requirement of federal law that allows individuals to continue their health insurance coverage by paying the entire premium – both their portion and the employer's portion.)

Insurance rates or premiums are based on the claims of participants in the health insurance plan. For the most part, the larger and more diverse the Group (or pool), the more stable the rates will be since a number of participants who are paying premiums will have no claims. Retired or older members in a group of participants are typically the most expensive section of the group because of the higher costs for medical attention, treatments, etc.

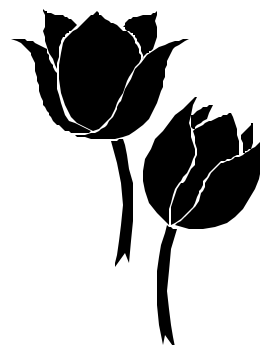
At retirement, teachers lose their health insurance from their local entity but are immediately transferred to the VT Retired Teachers plan that is administered by VEHI. They are given health insurance as part of the retirement plan because the active members of the retirement plan and the State of Vermont contribute toward that benefit during their active employment.

In the case of the VMERS members, we are discussing means to obtain insurance for retirees. One way would be to include retirees in the health insurance plans for active members. There are many concerns. One concern is that taking on a new group of retired members could result in rate increases for current members. A second concern is that many insurance companies are reluctant to cover retired groups.

In an effort to assist retirees, for the past two years the VMERS Board of Trustees has paid a \$30 monthly stipend toward medical expenses. I know this seems like a drop in the bucket, but it represents a very large annual expense to the system.

I hope this answers some of your questions about health insurance for retirees, and I assure you that the Board knows of your concern regarding this issue. We are all trying very hard to obtain health insurance coverage for retired members.

Have a great Spring!



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Official Notice – Election of Trustee – Official Notice

An election for Employer Representative on the Board of Trustees will be held this spring. The term of Trustee David Lewis expires on June 30, 2003. All active members (any member who is not retired) of the Municipal Employees' Retirement System are eligible to vote in this election.

Any active member who would like to be a candidate for the Trustee position must submit a nomination by May 26, 2003. A nomination must contain the signature of at least five municipal employees who are active members of the retirement system. Nominations should also include a brief biographical sketch of the candidate that gives the candidate's qualifications and describes why the candidate wishes to serve as a Trustee.

Trustees are responsible for the investment of the retirement funds and operation of the retirement

system. They serve for a term of three years and may run for re-election at the end of their term. (Trustee Lewis has expressed his intent to run for re-election.) Trustees are expected to attend investment and business meetings of the Board of Trustees. Investment meetings are held quarterly. Business meetings are held as needed, usually on the same day as an investment meeting.

If only one person is officially nominated for the position of Trustee, no election will be held. In this case, the Board of Trustees will simply appoint the sole nominee to the vacant Trustee position.

If you would like more information on nominations or election procedures, please contact the Municipal Employees' Retirement System at 802-828-2305 or 1-800-642-3191. (Toll free calls must be made from within Vermont.)